

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

ILLINOIS COMMERCE COMMISSION  
ON ITS OWN MOTION

- VS -

CONSUMERS ILLINOIS WATER COMPANY

Proposed general increase in water rates

00-0337  
00-0338  
00-0339  
(Consolidated)

AFFIDAVIT OF MIKE LUTH

STATE OF ILLINOIS

SS

COUNTY OF SANGAMON

I, Mike Luth, being duly sworn on oath state that I am the same Mike Luth identified in the following exhibits:

ICC Staff Exhibit 3.00 (direct testimony consisting of a cover page; 12 pages of text in question-and-answer form; and Schedules 3.01, 3.02, and 3.03) and

ICC Staff Exhibit 10.00 (rebuttal testimony consisting of a cover page; 13 pages of text in question-and-answer form; and Schedules 10.01, 10.02, and 10.03);

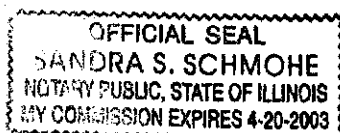
that I have prepared the above exhibits and am familiar with the contents thereof; and that the above exhibits are true and correct to the best of my knowledge as of the date hereof.

Further affiant sayeth not.

*Mike Luth*

SUBSCRIBED AND SWORN to before  
me this 14<sup>th</sup> day of November, 2000.

*Sandra S. Schmohe*  
NOTARY PUBLIC



OFFICIAL FILE  
I.C.C. DOCKET NO. 00-0337-00-0339  
STAFF Exhibit NO. 3.01 10.0  
Witness *Luth*  
Date 11/27/00 Reporter *Joe*

**DIRECT TESTIMONY**

of

**MIKE LUTH**

Financial Analysis Division  
~~Illinois Commerce Commission~~

**Consumers Illinois Water Company**

Proposed in Increase in Water Rates for the  
Kankakee, Vermilion and Woodhaven Divisions

**Docket Nos. 00-0337/00-0338/00-0339, Consolidated**

August 31, 2000

**I. INTRODUCTION**

1 Q. Please state your name and business address.

2 A. My name is Mike Luth. My business address is 527 East Capitol Avenue,  
3 Springfield, Illinois, 62701.

4

5 Q. What is your present position with the Illinois Commerce Commission  
6 ("Commission")?

7 A. I am currently an Economic Analyst in the Rates Department of the Financial  
8 Analysis Division. In that position, I review and analyze tariff filings by electric, gas,  
9 water and wastewater utilities with regard to cost of service and rate design. I make  
10 recommendations to the Commission on such filings and participate in docketed  
11 proceedings as assigned.

12

13 Q. Please state your professional qualifications and work experience.

14 A. I received a B.S. in Accounting from Illinois State University. I passed the Uniform  
15 C.P.A. examination in May of 1987. Since graduating, I have worked as an  
16 Assistant Property Manager with a real estate company and as a Field Auditor with  
17 the Wisconsin Department of Revenue. In October of 1990, I joined the Accounting  
18 Department of the Illinois Commerce Commission ("Commission"). In June 1998, I  
19 transferred from the Accounting Department of the Commission to the Rates  
20 Department.

21 Q. Have you previously testified before the Illinois Commerce Commission?

22 A. Yes, I have testified several times before the Commission on cost-of-service, rate  
23 design and revenue requirement.  
24

25 Q. What is your assignment in this proceeding?

26 A. My assignment in this proceeding includes the review and analysis of the allocation  
27 of costs between the affiliated companies of Consumers Illinois Water Company  
28 ("CI" or the "Company") and the effect of those allocations upon the revenue  
29 requirement of the three divisions under review in this docket. The three  
30 Consumers divisions under review in this docket are: Kankakee, Vermilion and  
31 Woodhaven Water. All three provide water service to their service areas.  
32

33 Q. What is the purpose of your direct testimony?

34 A. I am proposing three adjustments to the Company's proposed revenue requirement  
35 for each of the divisions under review. The adjustments pertain to the allocation of  
36 the Kankakee Corporate Office and the Vermilion Remittance Center, the allocation  
37 of Insurance Expense, and total Service Company Billings and the allocation of  
38 those billings.  
39

40 Q. Have you prepared any supporting schedules to be included with this direct  
41 testimony?

42 A. Yes, I have. All are identified as ICC Staff Exhibit 3.00, and are numbered and  
43 entitled as shown in the following table:

44

Schedule 3.01	Staff Adjustment to Allocation of Corporate Office and Vermilion Remittance Center
Schedule 3.02	Staff Adjustment to Allocation of Insurance Expense
Schedule 3.03	Staff Adjustment to Service Company Billings

**General Overview of Adjustments to Allocated Costs**

45 Q. How are costs allocated to CI divisions?

46 A. All costs that are subject to the adjustments that I am proposing are allocated on the  
47 basis of number of customers. Plant-in-Service, Accumulated Reserve for  
48 Depreciation and Depreciation Expense associated with the Kankakee Corporate  
49 Office and the Vermilion Remittance Center are allocated to the CI divisions,  
50 including Kankakee, Vermilion and Woodhaven Water.

51

52 As part of the Philadelphia Suburban Corporation ("PSC") organization, CI is also  
53 allocated or charged for services provided specifically or generally on behalf of CI  
54 by PSC, Philadelphia Suburban Water Company ("PSW"), and Consumers Water  
55 Company ("CWC"), all of whom are other companies within the PSC organization.  
56 Service Company costs billed to CI are then allocated to the CI divisions on the  
57 basis of number of customers.

58 Q. Is there any common element to each of your three adjustments?

59 A. Yes. Each adjustment is based, at least in part, upon the inclusion of the CI  
60 Candlewick Sewer division in the allocation. As shown on pre-filed Company  
61 workpaper WP A-5, Candlewick Sewer was not included in the determination of the  
62 Company's Number of Customers allocation factor. As part of the CI organization,  
63 Candlewick Sewer should be allocated all costs that are allocated on a general  
64 basis to the CI divisions. The adjustments to the allocation of the Corporate Office,  
65 Vermilion Remittance Center (Schedule 3.01) and Insurance Expense (Schedule  
66 3.02) are based in their respective entireties upon the inclusion of Candlewick  
67 Sewer in the determination of the Number of Customers allocation factor. The  
68 number of Candlewick Sewer customers also affects the adjustment to Service  
69 Company Billings (Schedule 3.03), but is not the basis for the entire amount of the  
70 adjustment.

**Corporate Office and Vermilion Remittance Center - Schedule 3.01**

71 Q. Please explain Schedule 3.01, Staff Adjustment to Allocation of Corporate Office  
72 and Vermilion Remittance Center.

73 A. Schedule 3.01 presents my adjustment to the allocation of the Kankakee Corporate  
74 Office and the Vermilion Remittance Center. As discussed in the previous section,  
75 the adjustment reduces the amount that should be allocated to the Kankakee,  
76 Vermilion and Woodhaven Water divisions based upon the inclusion of Candlewick

77 Sewer customers in determining the Number of Customers allocation factor. Page  
78 3 of Schedule 3.01 calculates the Number of Customers, or Customer Count,  
79 allocation factor for the CI divisions, and corrects Company pre-filed workpaper WP  
80 A-5 so that the number of Candlewick Sewer customers is included in the  
81 calculation of the Number of Customers allocation factor. The revised Customer  
82 Count allocation factors for the Kankakee, Vermilion and Woodhaven divisions on  
83 page 3 of Schedule 3.01 are carried forward to pages 1 and 2 of Schedule 3.01,  
84 and reduce the allocations to those districts of Plant-in-Service, Depreciation  
85 Expense and Reserve for Accumulated Depreciation from the Kankakee Corporate  
86 Office and the Vermilion Remittance Center.

87  
88 Each Plant-in-Service account number is shown across the top of pages 1 and 2 of  
89 Schedule 3.01. The allocations to the Kankakee, Vermilion and Woodhaven  
90 Divisions are shown separately, with the adjustment to Plant-in-Service calculated  
91 first for each division because it serves as the basis for the adjustment to  
92 Depreciation Expense, which is shown next within each division. The Company's  
93 proposed Depreciation rate is applied to the amount of the adjustment to each  
94 allocated Plant-in-Service account in order to calculate the effect upon Depreciation  
95 Expense resulting from a reduced allocation of depreciable Plant-in-Service. The  
96 adjustment to the Reserve for Accumulated Depreciation ("Reserve") is shown last  
97 within each division. The adjustment to the Reserve is based upon the Plant-in-

98 Service adjustment factor, which is the Plant-in-Service adjustment divided by the  
99 Company's proposed allocation of Plant-in-Service. Since the amount of the  
100 Reserve is based in part upon the sum of annual Depreciation Expense taken on  
101 the associated Plant-in-Service account, it is appropriate to base an adjustment to  
102 the Reserve upon the adjustment to the Plant-in-Service account.

103  
104 The reduction of the allocation of Plant-in-Service reduces rate base for the  
105 Kankakee, Vermilion and Woodhaven divisions, the reduction of Depreciation  
106 Expense reduces operating and maintenance expense, and the reduction of the  
107 Reserve increases rate base.

108  
**Insurance Expense - Schedule 3.02**

109 Q. Please explain Schedule 3.02.

110 A. Schedule 3.02 presents my adjustment to Insurance Expense, and is based upon  
111 the inclusion of Candlewick Sewer in the allocation to the CI divisions. As  
112 discussed previously, Candlewick Sewer should be included in the allocation of  
113 costs to the CI divisions, but was not in the Company's calculation of revenue  
114 requirement. The Insurance Expense adjustment is based upon the Plant-in-Service  
115 adjustment factor determined on Schedule 3.01. It is not clear how the Company  
116 allocated each of the different types of insurance shown on Company pre-filed  
117 Schedule C-17. The Plant-in-Service adjustment factor is a reasonable



approximation of the effect upon Insurance Expense allocated to each division when Candlewick Sewer is included in the calculation of the allocation factor for each type of insurance.

**Schedule 3.03 - Service Company Billings**

Q. Please explain Schedule 3.03, Staff Adjustment to Service Company Billings.

A. Schedule 3.03 presents my adjustment to the amount of expense allocated to the Kankakee, Vermilion and Woodhaven divisions resulting from billings to CI by PSC, PSW and CWC. The adjustment is based upon two factors. The first is the inclusion of Candlewick Sewer customers in the calculation of the allocation factor by CI. The second factor is the results of my review of PSC and PSW billings to CI during 1999, which show that expenses that are not appropriate for recovery through rates were billed to CI and included as an operating and maintenance expense in 1999. Page 1 of Schedule 3.01 summarizes and totals the adjustment to Service Company billings.

As discussed previously, Candlewick Sewer is not included in the allocation of costs by the Company in its pre-filed exhibits. As part of the CI organization, Candlewick Sewer will be a recipient of some of the services provided by PSC, PSW and CWC. To reasonably approximate the effect of Candlewick Sewer being included in the allocation of costs to CI divisions, I applied the Plant-in-Service

adjustment factor to the Company-proposed amounts allocated to the Kankakee, Vermilion and Woodhaven divisions. Application of this adjustment resulted in an Adjusted Company Projected Test Year Service Company billings amount, shown near the top of page 2 of Schedule 3.03.

The Adjusted Company Projected Test Year Service Company billings amount was then adjusted by a Payroll Adjustment Factor and a Sundry Adjustment Factor, which are depicted on pages 2 and 3 of Schedule 3.03 and supported on pages 4 through 7 of Schedule 3.03. The Payroll and Sundry Adjustment Factors were determined through my review of a considerable portion of PSC and PSW billings to CI in 1999 and early 2000. Costs that should not be recovered through rates but were billed to CI during the period that I reviewed are shown on pages 4 through 7 of Schedule 3.03.

Q. What costs billed to CI did you find to be unallowable for recovery through rates?

A. Several billings that I reviewed included lobbying-related or merger-related costs, neither of which is appropriate for recovery through rates paid by CI customers. Section 9-224 of the Public Utilities Acts denies recovery of lobbying-related costs through rates, and the Commission's Order on the merger of CI with PSC denied the recovery of merger-related costs through rates (Order, Docket No. 98-0602, dated January 21, 1999, pages 6 and 7). Part of two billings for audit costs should

159 not have been billed to CI because the audits covered, in part, the Employee Benefit  
160 Plans for PSC and PSW for the year ended December 31, 1998 and also the  
161 financial statements for PSC for the quarter ended March 31, 1999. Since the  
162 merger of CWC with PSC was not completed until early March 1999, CI should not  
163 be billed for audit costs of PSC and PSW Employee Benefits Plans and financial  
164 statements for periods preceding the merger date.

165  
166 Page 7 of Schedule 3.03 details the billings for a PSW employee to CI. My review  
167 of the billings for that employee in 1999 indicates that most of the labor and sundry-  
168 related costs associated with that employee were both specifically and generally  
169 lobbying-related. The primary purpose of the employee's travel to Illinois was to  
170 host dinners and presentations for legislators in Springfield and Chicago. A large  
171 portion of the employee's labor costs that were generally allocated to Illinois, rather  
172 than specifically charged to Illinois, were described as "Legislative Affairs". Other  
173 labor costs for the employee were labeled "Communications", which does not  
174 provide an adequate basis for determining whether the activities fitting that  
175 description are allowable for recovery through rates. Given that the employee's  
176 other activities for CI were clearly lobbying-related, and that lobbying involves  
177 communication, I eliminated all costs that I identified as being associated with that  
178 employee from recovery through CI rates.

180 Q. Why is your projection of unallowable costs billed by Service Companies  
181 appropriate?

182 A. The PSC, PSW and CWC costs billed to CI include labor (service) and sundry,  
183 which were generally incidental non-labor expenses, although a few labor costs  
184 were included. The elements of the billings are numerous and billed to CI every  
185 month. I reviewed several months of PSC and PSW billings to CI during 1999 and  
186 early 2000, but not all. Making a complete review nearly impossible are  
187 descriptions such as "Business Planning" and "Federal Express" and "Corporate  
188 Accounting" for many line items of costs. Those descriptions, though brief and easy  
189 to present in a summary of costs, do not adequately describe what business  
190 activities were planned, what was sent in each Federal Express package, or what  
191 corporate accounting issues were covered during the labor time billed. It is likely  
192 that "Business Planning", "Federal Express", and "Corporate Accounting" included  
193 the planning, support or accounting for lobbying and merger-related activities.  
194 Certainly, it is not possible to determine from those descriptions whether the costs  
195 are properly allocable to CI at all. Since it would be virtually impossible for an  
196 outside reviewer to analyze all aspects of every CWC, PSC and PSW billing to CI, a  
197 *projection of a focused review is a reasonable measure of the mix of Service*  
198 *Company costs that are billed over the test year.*

199  
200 Q. How did you project the unallowable expenses in the Service Company billings that

201 you reviewed to the test year?

202 A. In order to convert the findings of my review to the full amount of test year Service  
203 Company billings, I calculated the percentage of unallowable expenses that were  
204 labor-related compared to total labor billings that I reviewed, as shown on page 4 of  
205 Schedule 3.03. That percentage was applied to the percentage of labor-related  
206 billings for the test year. Page 6 of Schedule 3.03 shows the percentages of labor-  
207 related billings from CWC, and the combination of PSC and PSW. Page 6 also  
208 shows the percentages of CWC, PSC and PSW billings during 1999, and was  
209 carried forward to page 2 of Schedule 3.03 where the percentages were applied to  
210 the test year amount of Service Company billings proposed by the Company. The  
211 same process was completed on pages 3 and 6 of Schedule 3.03 to measure  
212 sundry-related CWC, PSC and PSW billings in the test year.

213

214 Q. Why is appropriate to project the findings from your review of 1999 and 2000  
215 Service Company billings to a 2001 test year?

216 A. It is appropriate to project the findings from my review of 1999 and 2000 Service  
217 Company billings to a 2001 test year because the 2001 test year has not yet  
218 occurred. 1999 and most of 2000 have occurred. The test year amount of Service  
219 Company billings proposed by the Company is not significantly changed from 1999  
220 and 2000. The \$103,593 reduction in Service Company billings to CI in the year  
221 2000 compared to the year 1999 is similar to the \$101,250 or more in PSC Rate

222 Case Expenses projected for this rate case by the Company, which will occur to a  
223 large degree in the year 2000 (Company Schedule C-10).

224

225 A good measure of whether the expenses from a projected test year are allowable  
226 is to review recent, similar costs that have actually occurred. My projection of  
227 unallowable expenses meets that standard and is reasonable because it is based  
228 upon a comparison of the test year amount to the amounts that were billed during  
229 the recent periods that I reviewed.

230

231 Q. Does this conclude your direct testimony?

232 A. Yes, it does.

Consumers Illinois Water Company  
Staff Adjustment to Allocation of Corporate Office and Vermilion Remittance Center  
For the test year ending December 31, 2001

	30360	Corporate Office				Vermilion Remittance Center			Total	
		30480	34060	341		30482	34062	34062.1		
<b>Kankakee</b>										
Amount to be Allocated	\$ 100,296	\$ 1,655,229	\$ 2,334,162	\$ 19,187	\$ 45,481	\$ 21,185	\$ 10,026	\$ 4,185,566	(1)	
Allocation Factor, per Staff	0.33650	0.33650	0.33650	0.33650	0.33650	0.33650	0.33650	0.33650	0.33650	(2)
Allocated Amount, per Staff	\$ 33,750	\$ 556,987	\$ 785,449	\$ 6,456	\$ 15,304	\$ 7,129	\$ 3,374	\$ 1,408,450		
Alloc. Amt., per Company	\$ 35,116	\$ 579,530	\$ 817,239	\$ 6,718	\$ 15,924	\$ 7,418	\$ 3,511	\$ 1,465,454	(1)	
<b>*Plant-in-Service Adjustment</b>	\$ (1,366)	\$ (22,543)	\$ (31,789)	\$ (261)	\$ (620)	\$ (289)	\$ (137)	\$ (57,004)		
Depreciation Rate		0.0400	0.1292	0.1077	0.0400	0.0474	0.2000		(3)	
<b>*Deprec. Exp. Adjustment</b>		\$ (902)	\$ (4,107)	\$ (28)	\$ (25)	\$ (14)	\$ (27)	\$ (5,103)		
Plant-in-Service Adjustment Factor	(0.0389)	(0.0389)	(0.0389)	(0.0389)	(0.0389)	(0.0389)	(0.0389)	(0.0389)	(4)	
Deprec. Reserve, per Co.		\$ (87,844)	\$ (70,258)	\$ (1,047)	\$ (1,123)	\$ (2,577)	\$ (3,419)		(5)	
<b>*Deprec. Reserve Adjustment</b>		\$ 3,417	\$ 2,733	\$ 41	\$ 44	\$ 100	\$ 133	\$ 6,468		
<b>Vermilion</b>										
Amount to be Allocated	\$ 100,296	\$ 1,655,229	\$ 2,334,162	\$ 19,187	\$ 45,481	\$ 21,185	\$ 10,026	\$ 4,185,566	(1)	
Allocation Factor, per Staff	0.26962	0.26962	0.26962	0.26962	0.26962	0.26962	0.26962	0.26962	0.26962	(2)
Allocated Amount, per Staff	\$ 27,042	\$ 446,282	\$ 829,336	\$ 5,173	\$ 12,263	\$ 5,712	\$ 2,703	\$ 1,128,510		
Alloc. Amt., per Company	\$ 28,136	\$ 464,344	\$ 654,607	\$ 5,383	\$ 12,759	\$ 5,943	\$ 2,813	\$ 1,174,164	(1)	
<b>*Plant-in-Service Adjustment</b>	\$ (1,094)	\$ (18,062)	\$ (25,471)	\$ (209)	\$ (498)	\$ (231)	\$ (109)	\$ (45,673)		
Depreciation Rate		0.0400	0.1292	0.1077	0.0400	0.0474	0.2000		(3)	
<b>*Deprec. Exp. Adjustment</b>		\$ (722)	\$ (3,291)	\$ (23)	\$ (20)	\$ (11)	\$ (22)	\$ (4,089)		
Plant-in-Service Adjustment Factor	(0.0389)	(0.0389)	(0.0389)	(0.0389)	(0.0389)	(0.0389)	(0.0389)	(0.0389)	(4)	
Deprec. Reserve, per Co.		\$ (70,385)	\$ (56,294)	\$ (839)	\$ (2,308)	\$ (5,295)	\$ (7,027)		(5)	
<b>*Deprec. Reserve Adjustment</b>		\$ 2,738	\$ 2,190	\$ 33	\$ 90	\$ 206	\$ 273	\$ 5,529		

(1) From Company Schedule B-5, page 3

(2) Allocation factors from page 3, this schedule

(3) From Company Schedule C-2.4, except Corporate Office account no. 34060 rate, which is calculated by dividing Company Schedule C-12 (Kankakee) Unadjusted Test Year Depreciation Expense by Average Test Year Plant Investment for Account 340.

(4) = Plant-in-Service Adjustment divided by Allocated Amount (Plant-in-Service), per Company

(5) From Company Schedule B-6, page 3

Consumers Illinois Water Company  
Staff Adjustment to Allocation of Corporate Office and Vermilion Remittance Center  
For the test year ending December 31, 2001

	30360	Corporate Office			Vermilion Remittance Center			Total	
		30460	34060	341	30462	34062	34062.1		
<b>Woodhaven Water</b>									
Amount to be Allocated	\$ 100,296	\$ 1,655,229	\$ 2,334,162	\$ 19,187	\$ 45,481	\$ 21,185	\$ 10,026	\$ 4,185,566	(1)
Allocation Factor, per Staff	<u>0.09833</u>	<u>0.09833</u>	<u>0.09833</u>	<u>0.09833</u>	<u>0.09833</u>	<u>0.09833</u>	<u>0.09833</u>	<u>0.09833</u>	(2)
Allocated Amount, per Staff	\$ 9,862	\$ 162,754	\$ 229,512	\$ 1,887	\$ 4,472	\$ 2,083	\$ 986	\$ 411,555	
Alloc. Amt., per Company	\$ 10,261	\$ 169,341	\$ 238,801	\$ 1,963	\$ 4,653	\$ 2,168	\$ 1,026	\$ 428,212	(1)
<b>*Plant-in-Service Adjustment</b>	\$ (399)	\$ (6,587)	\$ (9,289)	\$ (76)	\$ (181)	\$ (84)	\$ (40)	\$ (16,657)	
Depreciation Rate		<u>0.0400</u>	<u>0.1292</u>	<u>0.1077</u>	<u>0.0400</u>	<u>0.0474</u>	<u>0.2000</u>		(3)
<b>*Deprec. Exp. Adjustment</b>		\$ (263)	\$ (1,200)	\$ (8)	\$ (7)	\$ (4)	\$ (8)	\$ (1,491)	
Plant-in-Service Adjustment									
Factor	<u>(0.0389)</u>	<u>(0.0389)</u>	<u>(0.0389)</u>	<u>(0.0389)</u>	<u>(0.0389)</u>	<u>(0.0390)</u>	<u>(0.0386)</u>	<u>(0.0389)</u>	(4)
Deprec. Reserve, per Co.		\$ (25,669)	\$ (20,530)	\$ (306)	\$ (328)	\$ (753)	\$ (999)		(5)
<b>*Deprec. Reserve Adjustment</b>		\$ 998	\$ 799	\$ 12	\$ 13	\$ 29	\$ 39	\$ 1,890	

(1) From Company Schedule B-5, page 3

(2) Allocation factors from page 2, this schedule

(3) From Company Schedule C-2.4, except Corporate Office account no. 34060 rate, which is calculated by dividing Company Schedule C-12 Unadjusted Test Year Depreciation Expense by Average Test Year Plant Investment for Account 340.

(4) = Plant-in-Service Adjustment divided by Allocated Amount (Plant-in-Service), per Company

(5) From Company Schedule B-5, page 3



Consumers Illinois Water Company  
 Staff Adjustment to Allocation of Corporate Office and  
 Vermilion Remittance Center  
 For the test year ending December 31, 2001

	2001: Customer Count	Allocation Factor
<b>Kankakee</b>	21,242	0.33650 **
Willowbrook Water	911	0.01443
Willowbrook Sewer	970	0.01537
University Park Water	1,629	0.02581
University Park Sewer	1,594	0.02525
<b>Woodhaven Water</b>	6,207	0.09833 **
Sublette Water	197	0.00312
Sublette Sewer	5,465	0.08657
Candlewick Water	2,453	0.03886
Candlewick Sewer	2,453	0.03886
Tower Lakes Water	373	0.00591
Tower Lakes Sewer	-	-
Oak Run	2,612	0.04138
<b>Danville</b>	17,020	0.26962 **
	<u>63,126</u>	<u>1.00000</u>

Customer count from Company pre-filed WP A-5, page 3.  
 Candlewick Sewer not shown on WP A-5, page 3, same  
 number of customers as Candlewick Water.

Consumers Illinois Water Company  
 Staff Adjustment to Allocation of Insurance Expense  
 For the test year ending December 31, 2001

	<u>Kankakee</u>	<u>Vermilion</u>	<u>Woodhaven</u> <u>Water</u>	
Insurance Expense, per Company	\$ 122,431	\$ 117,410	\$ 6,875	
Candlewick Sewer Reduction Factor	<u>(0.0389)</u>	<u>(0.0389)</u>	<u>(0.0389)</u>	(1)
Adjustment	<u>\$ (4,763)</u>	<u>\$ (4,567)</u>	<u>\$ (267)</u>	

- (1) ICC Staff Exhibit 3.00, Schedule 3.01, page 1.  
 = Schedule 3.01 adjustment divided by Company-proposed allocation of Corporate  
 Office and Vermilion Remittance Center.

Consumers Illinois Water Company  
Staff Adjustment to Service Company Billings  
For the test year ending December 31, 2001

	<u>Kankakee</u>	<u>Vermilion</u>	<u>Woodhaven</u>	
Summary of Adjustment to Service Company Billings:				
Candlewick Sewer Allocation	\$ (39,645)	\$ (33,157)	\$ (4,400)	(1)
Payroll-related Billings	\$ (64,139)	\$ (53,643)	\$ (7,119)	(1)
Sundry-related Billings	\$ (63,564)	\$ (53,162)	\$ (7,055)	(2)
Total Adjustment	<u>\$ (167,348)</u>	<u>\$ (139,962)</u>	<u>\$ (18,574)</u>	
(1)	From page 2 of this schedule			
(2)	From page 3 of this schedule			

Consumers Illinois Water Company  
Staff Adjustment to Service Company Billings  
For the test year ending December 31, 2001

	<u>Kankakee</u>	<u>Vermilion</u>	<u>Woodhaven</u>	
Test year projected Service Company billings	\$ 1,019,210	\$ 852,416	\$ 113,124	(1)
Multiplied by: Candlewick Sewer Adjustment Factor	<u>(0.0389)</u>	<u>(0.0389)</u>	<u>(0.0389)</u>	(2)
Adjustment to Service Company Billings from Candlewick Sewer Allocation Factor	\$ <u>(39,645)</u>	\$ <u>(33,157)</u>	\$ <u>(4,400)</u>	
Adjusted Company Projected Test Year Service Company Billings	\$ <u>979,565</u>	\$ <u>819,259</u>	\$ <u>108,724</u>	
<u>Payroll-Related Service Company Billings:</u>				
1999 CWC Billings to Illinois	0.77876	0.77876	0.77876	(3)
Multiplied by: Adjusted test year projected Service Company billings	<u>\$ 979,565</u>	<u>\$ 819,259</u>	<u>\$ 108,724</u>	
Test year CWC Billings to Illinois	\$ 762,847	\$ 638,007	\$ 84,670	
1999 Payroll-related CWC Billings to Illinois	<u>0.66836</u>	<u>0.66836</u>	<u>0.66836</u>	(3)
Test Year Payroll-related CWC Billings to Illinois	\$ <u>509,857</u>	\$ <u>426,419</u>	\$ <u>56,590</u>	
1999 PSC and PSW Billings to Illinois	0.22124	0.22124	0.22124	(3)
Multiplied by: Adjusted test year projected Service Company billings	<u>\$ 979,565</u>	<u>\$ 819,259</u>	<u>\$ 108,724</u>	
1999 PSC and PSW Billings to Illinois	\$ 216,718	\$ 181,252	\$ 24,054	
1999 Payroll-related PSC and PSW Billings to Illinois	<u>0.47908</u>	<u>0.47908</u>	<u>0.47908</u>	(3)
Test Year Payroll-related PSC and PSW Billings to Illinois	\$ <u>103,824</u>	\$ <u>86,834</u>	\$ <u>11,524</u>	
Combined CWC, PSC and PSW Payroll-related Billings to Illinois	\$ 613,681	\$ 513,252	\$ 68,114	
Multiplied by: Payroll Adjustment Factor for Service Billings	<u>(0.10452)</u>	<u>(0.10452)</u>	<u>(0.10452)</u>	(4)
Adjustment to Payroll-related Service Company Billings	\$ <u>(64,139)</u>	\$ <u>(53,643)</u>	\$ <u>(7,119)</u>	

(1) From Company Schedule C-4.1

(2) ICC Staff Exhibit 3.00, Schedule 3.01, pages 1 and 2. Percentage of adjustment to allocation of Corporate Office and Vermilion Remittance Center resulting from inclusion of Candlewick Sewer

(3) This schedule, page 6

(4) This schedule, page 4

Consumers Illinois Water Company  
 Staff Adjustment to Service Company Billings  
 For the test year ending December 31, 2001

Sundry-related Service Company Billings:

1999 CWC Billings to Illinois	0.77876	0.77876	0.77876	(1)
Multiplied by: Adjusted test year projected Service Company billings	\$ 979,565	\$ 819,259	\$ 108,724	
Test year CWC Billings to Illinois	\$ 762,847	\$ 638,007	\$ 84,670	
1999 Sundry-related CWC Billings to Illinois	0.33164	0.33164	0.33164	(1)
Test Year Sundry-related CWC Billings to Illinois	\$ 252,990	\$ 211,588	\$ 28,080	
1999 PSC and PSW Billings to Illinois	0.22124	0.22124	0.22124	(1)
Multiplied by: Test year projected Service Company billings	\$ 979,565	\$ 819,259	\$ 108,724	
1999 PSC and PSW Billings to Illinois	\$ 216,718	\$ 181,252	\$ 24,054	
1999 Sundry-related PSC and PSW Billings to Illinois	0.52092	0.52092	0.52092	(1)
Test Year Payroll-related PSC and PSW Billings to Illinois	\$ 112,893	\$ 94,418	\$ 12,530	
Combined CWC, PSC and PSW Sundry-related Billings to Illinois	\$ 365,884	\$ 306,007	\$ 40,610	
Multiplied by: Sundry Adjustment Factor for Service Billings	(0.17373)	(0.17373)	(0.17373)	(2)
Adjustment to Sundry-related Service Company Billings	\$ (63,564)	\$ (53,162)	\$ (7,055)	

(1) This schedule, page 6

(2) This schedule, page 5

Consumers Illinois Water Company  
Staff Adjustment to Service Company Billings  
For the test year ending December 31, 2001

- Review of Philadelphia Suburban Corporation ("PSC") and Philadelphia Suburban Water Company ("PSW") Billings

			Hours	Illinois Allocation	Hours billed to Illinois	Hourly Rate	Amount billed to Illinois
Service (Payroll) Billings:							
Cummings	02/2000 PSC	MD & A analysis	4	0.1125	0.45	\$ 26.14	\$ 11.76
		MD & A #S for Bob Rubin	9	0.1125	1.01	\$ 26.14	\$ 26.47
Riegler		Corporate water acquisitions	1	0.1125	0.11	\$ 88.67	\$ 9.98
			3	0.1125	0.34	\$ 88.67	\$ 29.93
			2	0.1125	0.23	\$ 88.67	\$ 19.95
			4	0.1125	0.45	\$ 88.67	\$ 39.90
			1	0.1125	0.11	\$ 88.67	\$ 9.98
			3	0.1125	0.34	\$ 88.67	\$ 29.93
			5	0.1125	0.56	\$ 88.67	\$ 49.88
Rubin	07/1999 PSC	Merger costs accounting			1.14	\$ 45.85	\$ 52.27
Stahl	05/1999 PSC	Meeting w/Shank on integration of Consumers			0.27	\$ 89.64	\$ 24.20
		Meeting w/NDB, Smeltzer, et al.					
		on integration of Consumers			0.80	\$ 89.64	\$ 71.71
		Review of pooling issues on Consumers merger			0.11	\$ 89.64	\$ 9.86
Stahl	12/1999 PSC	Legal matters, acquisition organization			1.08	\$ 98.67	\$ 104.59
		Legal matters, minority shareholder issue			1.08	\$ 98.67	\$ 104.59
Rubin		Review tax merger cost			0.23	\$ 82.09	\$ 18.88
		Merger costs amortization			0.34	\$ 82.09	\$ 27.91
		Merger costs review			0.46	\$ 82.09	\$ 37.76
Jerdon	04/2000 PSC	Corporate water acquisitions			2.41	\$ 47.14	\$ 113.61
Kropilak	04/2000 PSW	Corporate water acquisitions			0.90	\$ 60.80	\$ 54.72
McAllister		Acquisition and growth			0.23	\$ 25.52	\$ 5.87

\$ 853.74

Divided by: Total Payroll Reviewed

May 1999 PSW	\$ 7,332.28	
May 1999 PSC	\$ 12,440.07	
July 1999 PSC	\$ 9,210.78	
September 1999 PSW	\$ 3,824.71	
December 1999 PSC	\$ 9,777.82	
December 1999 PSW	\$ 6,681.29	
February 2000 PSC	\$ 10,814.60	
April 2000 PSC	\$ 16,399.52	
April 2000 PSW	\$ 13,618.54	\$ 90,099.61

0.00948

Plus: Percentage of Lobbying Employee Payroll to Illinois

0.09504

Service Company Payroll adjustment factor

0.10452

Consumers Illinois Water Company  
 Staff Adjustment to Service Company Billings  
 For the test year ending December 31, 2001

- Review of Philadelphia Suburban Corporation ("PSC") and Philadelphia Suburban Water Company ("PSW") Billings

		<u>Amount</u>	<u>Illinois Allocation</u>	<u>Amount billed to Illinois</u>
Sundry Billings:				
07/1999 PSC	American Express - N DeBenedictus, Fruit baskets/Legislators			\$ 55.77
	KPMG Marwick, audit fees (1)	\$ 25,333.33	0.1144	\$ 2,898.13
07/1999 PSW	Brian Duffy - bonus (lobbying)			\$ 5,000.00
				\$ 7,953.90
Divided by: Detailed Sundry Billings Reviewed, May 1999 through March 2000				\$ 145,337.35
				0.05473
Plus: Lobbying employee billings to Illinois				0.11900
Service Company Sundry adjustment factor				0.17373

(1) KPMG Marwick adjustment is based upon 2/3rds of a \$20,000 for the audit of the PSC and PSW employee benefit plans for the year ended December 31, 1998, + a \$12,000 bill for the audit of PSC financial statements for the quarter ended March 31, 1999.

Consumers Illinois Water Company  
Staff Adjustment to Service Company Billings  
For the test year ending December 31, 2001

Billings to Consumers Illinois Water Company

	<u>CWC Payroll</u>	<u>CWC Sundry</u>	<u>CWC Total</u>	<u>PSC Payroll</u>	<u>PSC Sundry</u>	<u>PSW Payroll</u>	<u>PSW Sundry</u>	<u>PSC and PSW Total</u>
January 1999	\$ 106,132.70	\$ 33,799.82	\$139,932.52					\$ -
February 1999	\$ 111,524.39	\$ 55,653.70	\$167,178.09					\$ -
March 1999			\$ -					\$ -
April 1999	\$ 68,205.06	\$ 34,157.64	\$102,362.70					\$ -
May 1999			\$ -	\$ 12,440.07	\$ 12,197.10	\$ 7,332.28	\$ 3,562.97	\$ 35,532.42
June 1999	\$ 56,513.24	\$ 32,051.45	\$ 88,564.69	\$ 11,104.83	\$ 721.46	\$ 9,301.96	\$ 2,811.19	\$ 23,939.44
July 1999			\$ -	\$ 9,210.78	\$ 18,460.57	\$ 6,072.62	\$ 16,123.68	\$ 49,867.65
August 1999			\$ -	\$ 8,034.45	\$ 16,706.28	\$ 5,014.76	\$ 3,631.64	\$ 33,387.13
September 1999			\$ -	\$ 11,611.69	\$ 4,900.12	\$ 3,824.71	\$ 6,569.13	\$ 26,905.65
October 1999	\$ 31,762.32	\$ 31,426.08	\$ 63,188.40	\$ 9,584.89	\$ 3,112.00	\$ 2,734.57	\$ 8,241.19	\$ 23,672.65
November 1999			\$ -	\$ 9,729.26	\$ 11,422.80	\$ 11,206.00	\$ 6,653.08	\$ 38,011.14
December 1999	\$ 87,882.71	\$ 42,165.06	\$130,047.77	\$ 9,777.82	\$ 6,042.83	\$ 6,681.29	\$ 24,181.31	\$ 46,683.25
January 2000			\$ -	\$ 8,948.90	\$ 13,325.04	\$ 5,657.59	\$ 4,887.60	\$ 32,819.13
February 2000			\$ -	\$ 10,814.60	\$ 8,397.59	\$ 6,235.10	\$ 1,923.74	\$ 27,371.03
March 2000			\$ -	\$ 18,831.14	\$ 1,951.67	\$ 12,342.74	\$ 742.64	\$ 33,868.19
April 2000 (1)			\$ -	\$ 16,399.52	\$ 10,938.19	\$ 13,618.54	\$ 4,111.83	\$ 45,068.08
	<u>\$462,020.42</u>	<u>\$ 229,253.75</u>	<u>\$691,274.17</u>	<u>\$ 81,493.79</u>	<u>\$ 73,563.16</u>	<u>\$ 52,168.19</u>	<u>\$ 71,774.19</u>	<u>\$278,999.33</u>
	<u>0.66836</u>	<u>0.33164</u>		<u>0.29209</u>	<u>0.26367</u>	<u>0.18698</u>	<u>0.25726</u>	
						<u>0.47908</u>	<u>0.52092</u>	

(1) No detail provided by the Company for April 2000 PSC sundry billing.

Total 1999 Billings

Consumers Water Company	\$ 1,110,277.26	0.77876
Philadelphia Suburban	\$ 315,419.84	0.22124
	<u>\$ 1,425,697.10</u>	



Consumers Illinois Water Company  
 Staff Adjustment to Service Company Billings  
 For the test year ending December 31, 2001

- Billings for PSW Lobbying Employee

<u>Month</u>	<u>Services</u>	<u>Sundries</u>	<u>Total</u>
May 1999	\$ 1,773.12	\$ 3,521.88	\$ 5,295.00
June 1999		(1) \$ 2,103.15	\$ 2,103.15
July 1999	\$ 498.69	\$ 8,054.98	\$ 8,553.67
August 1999	\$ 609.51	\$ 514.89	\$ 1,124.40
September 1999	\$ 609.51		\$ 609.51
October 1999	\$ 57.62		\$ 57.62
November 1999	\$ 2,304.80		\$ 2,304.80
December 1999	\$ 518.58	<u>\$ 3,100.47</u>	\$ 3,619.05
January 2000	\$ 541.53		\$ 541.53
February 2000	\$ 782.21		\$ 782.21
March 2000	\$ 842.38		\$ 842.38
April 2000	<u>\$ 2,226.29</u>		<u>\$ 2,226.29</u>
	<u>\$ 10,764.24</u>	(2) <u>\$ 17,295.37</u>	(3) <u>\$ 28,059.61</u>

(1) No June 1999 payroll provided for Philadelphia Suburban Water.

(2) Lobbying employee represents .09504 of Services (payroll) billings to Illinois for the months of May 1999 through April 2000, excluding June 1999.

(3) Lobbying employee represents .11900 of Sundry billings to Illinois for the months of May 1999 through April 2000.